

| FLA Audit Profile | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|--|---|----------------------------------|--|---|--|------------------------|------------------------------|----------|---|------------------|---|---|------------------------------|---------------|--------------------------------|---------------|
| Country | China | | | | | | | | | | | | | | | | | | | |
| Factory name | 440015497E | | | | | | | | | | | | | | | | | | | |
| IEM | SGS | | | | | | | | | | | | | | | | | | | |
| Date(s) in facility | December 12-13, 2006 | | | | | | | | | | | | | | | | | | | |
| PC(s) | Hennes & Mauritz AB | | | | | | | | | | | | | | | | | | | |
| Number of workers | 313 | | | | | | | | | | | | | | | | | | | |
| Product(s) | Men's and ladies' jackets, trousers, jeans, shirts, etc. | | | | | | | | | | | | | | | | | | | |
| Production processes | Fabric inspection, cutting, sewing, trimming, ironing, packing | | | | | | | | | | | | | | | | | | | |
| | | | IEM Findings | | | | | | Remediation | | | (Status) | Updates (Cite Date of Follow up) | | Updates (Cite Date of Follow up) | | Third-Party Verification | | Company Verification Follow up | |
| FLA Code/ Compliance issue | Country Law/Legal Reference | FLA Benchmark | Non-compliance | Risk of Non-compliance | Evidence of Non-compliance (uncorroborated) | If not corroborated, explain why | Sources/Documentation used for corroborating | Notable Features implemented by Factory Management or Company | PC Remediation plan | Target Completion Date | Completed, Pending, On-going | | Company Follow-Up (March 12, 2008) | Documentation | Company Follow up (November 27, 2008) | Documentation | External Verification (Date) | Documentation | Company Follow up | Documentation |
| 1. Code Awareness | | | | | | | | | | | | | | | | | | | | |
| Confidential non-compliance reporting channel | | FLA Principle of Monitoring, Obligation of Companies: Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so. | There was a company Code of Conduct in local language posted at the bulletin board at the factory, however, there was no company contact information such as hotline in the posted Code of Conduct, which is in violation of the FLA benchmark. | | | | Onsite visual inspection and interview with management and workers, it was identified. | | In our dialogue with the factory, H&M primarily encourage the factory to develop and deepen its own confidential non-compliance system. We support the factory in building a dialogue system within the factory in order to have a forum for the workers to communicate grievances to the management. During our audits we regularly check the function of these systems. At all H&M audits we conduct worker interviews. During these confidential, one-to-one interviews, our contact information is provided to the workers in order for them to be able to contact with us to put forward their grievances directly to us. We have decided to establish a hotline in order to ensure that the workers can put forward confidential complaints directly to H&M. It will be a mobile number that the workers can call or SMS. The mobile number will be printed on business cards that will be provided to the workers during worker interviews. | 3/11/2009 | On-going | | During our first follow-up, we focused mainly on discussions with management and reviewing documents. Business cards with our hotline number are given out to the workers interviewed, and those interviews are conducted mainly in the initial full audit and then again in the follow-ups 2 and 3. No interviews were conducted in this follow-up, and thus no business cards handed out. | | During this audit we performed worker interviews, during which our business card with our number on was handed out. | Worker interviews. | | | | |
| 2. Forced Labor | | | | | | | | | | | | | | | | | | | | |
| There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise. | | | | | | | | | | | | | | | | | | | | |
| 3. Child Labor | | | | | | | | | | | | | | | | | | | | |
| No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15. | | | | | | | | | | | | | | | | | | | | |
| Legal compliance for juvenile workers | Regulations for the Special Protection of Juvenile Employees (Document No. 498, 1994) Article 6 Employers should provide, according to the following requirements, regular physical examination: (1) Before the juvenile employee begins working at the enterprise; (2) After the juvenile employee has worked for one full year; and (3) When the juvenile employee has reached 18 years of age and has not had a physical examination in the previous six months. | Employers will comply with applicable laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations relating to hiring, working conditions, types of work, hours of work, proof of age documentation, and overtime. | | There were 15 young workers at the factory working at the time of the audit. They have been registered in local labor bureau, and their work did not involve heavy or hazardous work, and they went through regular physical examination. However, according to records review of the physical examination, it was identified that the form used for juvenile workers were not in compliance with the standard form mandated by national juvenile workers protection regulation. | | | Review of the physical exam report by the audit team. | | The factory has been asked to change all forms for juvenile workers to the correct standard form mandated by the national juvenile workers protection regulation. | 3/11/2009 | On-going | | Factory arranged physical examination for all juvenile workers but the physical examination form was still not in compliance with the standard form as stipulated by the national juvenile workers protection regulation. | Document review. | At the time of this audit, there were 12 juvenile workers employed in the factory. They all had complete personnel files with ID cards copies. Physical examinations had been done for them, but still using the same form as previously. | Document review. | | | | |
| 4. Harassment or Abuse | | | | | | | | | | | | | | | | | | | | |
| Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment of abuse. | | | | | | | | | | | | | | | | | | | | |
| 5. Nondiscrimination | | | | | | | | | | | | | | | | | | | | |
| No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin. | | | | | | | | | | | | | | | | | | | | |
| 6. Health and Safety | | | | | | | | | | | | | | | | | | | | |
| Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities. | | | | | | | | | | | | | | | | | | | | |
| Fire Safety, Health and Safety legal compliance | Regulations on Safety and Supervision of Special Equipment, Article 39 The operators and management staff of boiler, pressure vessels, elevators, and passenger tram rails shall first acquire qualification from the safety and supervision administrative department in charge of special equipment and obtain the unified special equipment operator certificates before they fulfill their jobs. | Employer will comply with applicable health and safety laws and regulations. In any case where laws and code of conduct are contradictory, the higher standards will apply. The factory will possess all legally required permits. | There was a certificated elevator operator, but he was a certificated stoker. Also, [during] on-site inspection, it was found that there was another worker who operated the elevator but he had no certificate. This is a violation of article 39 of Regulations on Safety and Supervision of Special Equipments. | | | | Cross checking of the certificates with the onsite inspection of the operators. | | H&M has required that the factory apply for relevant certificate for the lift operator according to article 39 of the Regulations on Safety and Supervision of Special Equipments, and to ensure that the regulation is implemented fully in the factory. | 3/11/2009 | Completed | | Factory has established regulations for operating the elevator which states that workers without certificates cannot operate the elevator. | Document review. | | | | | | |
| 7. Freedom of Association and Collective Bargaining | | | | | | | | | | | | | | | | | | | | |
| Employers will recognize and respect the right of employees to freedom of association and collective bargaining. | | | | | | | | | | | | | | | | | | | | |
| 8. Wages and Benefits | | | | | | | | | | | | | | | | | | | | |
| Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits. | | | | | | | | | | | | | | | | | | | | |
| Minimum Wage | China Labor Law, Article 48 Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages. | Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher. | | All wages were in line with the legal minimum wage standards: RMB 360 per month. However, the electronic time cards and payrolls were inconsistent with workers interviews. [several employees interviewed] said they were not allocated one day off per seven in the last two months, (Oct. and Nov. 2006), whereas their time cards indicated that they had had rest on all Sundays during these two months; in addition, 15 piece-rate workers said there was no additional payment for their overtime work, but the payrolls indicated that their OT were paid as per legal requirement. Due to the inconsistencies observed, there was no positive evidence which indicated that the workers working hour/wage were in compliance with the legal requirement. | | | Onsite interview with workers and off-site interview with store owners and taxi drivers. | | H&M has requested the factory to develop a policy that is in accordance with the labour law concerning working hours, minimum salary, overtime compensation and all other relevant issues. The policy should be clearly communicated to all workers and should be included in all worker handbooks. And the factory is requested to develop a true and sustainable time record and salary calculation system. | 3/11/2009 | On-going | | During this audit we had no indications of faked documents. | Document review. | Due to recent developments, we have learned that documents concerning working hours and wages have been manipulated and not been in accordance with the true situation. In discussions with the supplier and factory management, we have stressed the importance of transparency in the cooperation with H&M. We are working closely with supplier and factory on this issue and have demanded that they provide us with a realistic action plan on how to reduce the amount of over time hours in a sustainable and verifiable manner and to implement this plan in the coming year to show gradual progress towards legal compliance. | Management interviews, document review. | | | | |
| Minimum Wage | China Labor Law, Article 48 Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages. | Employers will pay workers the legal minimum wage or the prevailing industry wage, whichever is higher. | | From onsite interview with workers and offsite interviews with store owners, taxi drivers, work hours and wages could be as follows: 1) Normal working hour: eight hour per day and five days per week; 2) Overtime: From Mon. to Fri. three hours a day, and overtime worked on Saturdays and sometime on Sundays, average had two days off per month, OT exceed 36 hours a month and no one day off in seven. 3) The piece-rate workers' wages ranged between RMB 750 to 1400 per month, no additional payment for overtime; Monthly paid workers' wages ranged between RMB400 to RMB 600 per month. OT were paid as legal requirement. | | | Onsite interview with workers and off-site interview with store owners and taxi drivers. | | H&M has requested the factory to develop a policy that is in accordance with the labour law concerning working hours, minimum salary, overtime compensation and all other relevant issues. The policy should be clearly communicated to all workers and should be included in all worker handbooks. And the factory is requested to develop a true and sustainable time record and salary calculation system. | 3/11/2009 | On-going | | During this audit we had no indications of faked documents. | Document review. | Due to recent developments, we have learned that documents concerning working hours and wages have been manipulated and not been in accordance with the true situation. In discussions with the supplier and factory management, we have stressed the importance of transparency in the cooperation with H&M. We are working closely with supplier and factory on this issue and have demanded that they provide us with a realistic action plan on how to reduce the amount of over time hours in a sustainable and verifiable manner and to implement this plan in the coming year to show gradual progress towards legal compliance. | Management interviews, document review. | | | | |
| Legal benefits | China Labor Law, Article 72. The sources of social insurance funds shall be determined according to the categories of insurance, and an overall pooling of insurance funds from the society shall be introduced step by step. The employing unit and laborers must participate in social insurance and pay social insurance premiums in accordance with the law. Article 73. Laborers shall, in accordance with the law, enjoy social insurance benefits under the following circumstances: (1) retirement; (2) illness or injury; (3) disability caused by work-related injury or occupational disease; (4) unemployment; and (5) child-bearing. | Employers will provide all legally mandated benefits to all eligible workers. | The factory only provided retirement insurance for 100 workers out of 313 workers, and provided unemployment insurance for 20 workers out of 313 workers. The factory did not provide five kinds of social insurance for all employees. This violated the article 72 of China Labor Law. However, the management explained that they had discussed with local social insurance bureau and the situation was approved by local authority, in addition, the factory had bought injury insurance (business insurance) for all workers. | | | | According to review the social insurance payment receipt and interview with management, the audit team found this issue. | | H&M requires that the factory pay all social costs for all workers according to the Labour Law. | 3/11/2009 | On-going | | During this inspection it was found that the factory provides commercial industrial injury insurance for 378 workers. Factory also paid social insurance for 110 workers which is in accordance with local governmental requirements as shown by a certificate issued by the local labor bureau. | Document review. | Since the factory is in compliance with local regulations, this finding was considered done in a previous audit, and not followed up on during this audit. | | | | | |

| FLA Code/ Compliance Issue | Country Law/Legal Reference | FLA Benchmark | Non-compliance | Risk of Non-compliance | IEM Findings | | Sources/Documentation used for corroborating | Notable Features implemented by Factory Management or Company | PC Remediation plan | Remediation | Target Completion Date | (Status) | Updates (Cite Date of Follow up) | | Updates (Cite Date of Follow up) | | Third-Party Verification | | Company Verification Follow up | |
|---|---|---|--|------------------------|---|--|--|--|---------------------|-------------|--|--|---|---|---------------------------------------|---------------|------------------------------|---------------|--------------------------------|---------------|
| | | | | | Evidence of Non-compliance (uncorroborated) | If not corroborated, explain why | | | | | | | Company Follow-Up (March 12, 2008) | Documentation | Company Follow up (November 27, 2008) | Documentation | External Verification (Date) | Documentation | Company Follow up | Documentation |
| 9. Hours of Work | | | | | | | | | | | | | | | | | | | | |
| Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (j) be entitled to at least one day off in every seven day period. | | | | | | | | | | | | | | | | | | | | |
| Overtime Limitations | <p>China Labor Law, Article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours.</p> <p>China Labor Law, Article 38 The employing unit shall guarantee that its staff and workers have at least one day off in a week.</p> | Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (ii) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts. | The factory provided more than one year's working hour records for review, the audit team sampling checked 25 workers' records, details as below: The time cards indicated that all workers' normal working hours were eight hours per day and five days per week, from Mon. to Fri., most workers did OT two to three hours a day, and they sometimes had worked OT 8 hours on Saturdays and had rest on all Sundays. The max. total working hour was 11 hours a day, max. total OT was 72 hours a month. However, the electronic time cards and payrolls were inconsistent with worker interviews: 12 workers out of 27 interviewees said they were not allocated one day off per seven in the last two months, (Oct. and Nov. 2008), but their time cards indicated that they had had rest on all Sundays during these two months; in addition, 15 piece-rate workers said there was no additional payment for their overtime work, but the payrolls indicated that their OT were paid as per legal requirement. | | | Onsite interview with workers and off-site interview with store owners and taxi drivers. | | We require that the factory provide true documentation on salaries and working hours. The aim is to, through dialogue with the factory, establish a system to reduce the overtime in a sustainable manner. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to make sure that they can ensure that the workers may have one day off per week and reduce the number of overtime hours in the weekdays. H&M will carry out announced and unannounced audits in order to monitor the development according to the factory remediation plan. | 3/11/2009 | On-going | During this audit, we checked all of the production records and found no production records for Saturdays or Sundays. According to the factory manager, they have production on Saturdays but not on Sundays, but now transfer Saturday's production numbers to Monday's records since the person responsible for accounting does not work weekends. The attendance records and salary lists, however, still show workers as working on Saturday and the salary is accordingly calculated. During this audit we had no indication of fake documents. | Document review, management interview. | Due to recent developments, we have learned that documents concerning working hours and wages have been manipulated and not been in accordance with the true situation. In discussions with the supplier and factory management, we have stressed the importance of transparency in the cooperation with H&M. We are working closely with supplier and factory on this issue and have demanded that they provide us with a realistic action plan on how to reduce the amount of over time hours in a sustainable and verifiable manner and to implement this plan in the coming year to show gradual progress towards legal compliance. | Management interviews, document review. | | | | | | |
| Overtime Limitations | <p>China Labor Law, Article 41 The employing unit may extend working hours due to the requirements of its production or business after consultation with the trade union and laborers, but the extended working hour for a day shall generally not exceed one hour; if such extension is called for due to special reasons, the extended hours shall not exceed three hours a day under the condition that the health of laborers is guaranteed. However, the total extension in a month shall not exceed thirty six hours.</p> <p>China Labor Law, Article 38 The employing unit shall guarantee that its staff and workers have at least one day off in a week.</p> | Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hours overtime; and (i) be entitled to at least one day off in every seven day period. An extraordinary business circumstance is a temporary period of extra work that could not have been anticipated or alleviated by other reasonable efforts. | Due to the inconsistencies observed above, it was not possible to ascertain that the workers working hour/wage were in compliance with the legal requirement. From onsite interviews with workers and offsite interviews with store owners, taxi drivers, working hours and wages were found to be as follows: 1) Normal working hour: Eight hour per day and five days per week; 2) Overtime : From Mon. to Fri, three hours a day, and overtime worked on Saturdays and some Sundays, average had two days off per month, OT exceed 36 hours a month and no one day off per seven was arranged. | | | Onsite interview with workers and off-site interview with store owners and taxi drivers. | | We require that the factory provide true documentation on salaries and working hours. The aim is to, through dialogue with the factory, establish a system to reduce the overtime in a sustainable manner. The long-term aim is to, through improved production planning and efficiency, steadily reduce the overtime hours in order to meet the legal limit of overtime hours per month. In the short term, we require the factory to make sure that they can ensure that the workers may have one day off per week and reduce the number of overtime hours in the weekdays. H&M will carry out announced and unannounced audits in order to monitor the development according to the factory remediation plan. | 3/11/2009 | On-going | According to the documents provided to us during this audit, the monthly overtime working hours was 65 hours per month in Dec. 2007 and Jan. 2008. During this audit we had no indication of fake documents. | Document review. | Due to recent developments, we have learned that documents concerning working hours and wages have been manipulated and not been in accordance with the true situation. In discussions with the supplier and factory management, we have stressed the importance of transparency in the cooperation with H&M. We are working closely with supplier and factory on this issue and have demanded that they provide us with a realistic action plan on how to reduce the amount of over time hours in a sustainable and verifiable manner and to implement this plan in the coming year to show gradual progress towards legal compliance. | Management interviews, document review. | | | | | | |
| 10. Overtime Compensation | | | | | | | | | | | | | | | | | | | | |
| In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate. | | | | | | | | | | | | | | | | | | | | |
| Miscellaneous | | | | | | | | | | | | | | | | | | | | |